

9324

RECEIVED
LEGISLATIVE AUDITOR

2003 JAN -3 PM 1:55

CONTEMPORARY ARTS CENTER

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITORS' REPORT**

JUNE 30, 2002 and 2001

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/15/03

TABLE OF CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statement of Financial Position, June 30, 2002	2
Statement of Financial Position, June 30, 2001	3
Statement of Activities, For the Year Ended June 30, 2002	4
Statement of Activities, For the Year Ended June 30, 2001	5
Statements of Cash Flows	6
Notes to Financial Statements	7
SUPPLEMENTAL REPORT:	
Independent Auditors' Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	12
SUPPLEMENTAL SCHEDULE:	
Supplemental Schedule of Departmental Activity	13



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
of the Contemporary Arts Center

We have audited the accompanying statements of financial position of the Contemporary Arts Center (the "Center" – a Louisiana not-for-profit corporation) as of June 30, 2002 and 2001, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Center as of June 30, 2002 and 2001, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated November 18, 2002 on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and grants.

Our audits were performed for the purpose of forming an opinion on the basic financial statements of the Center taken as a whole. The Supplemental Schedule of Departmental Activity on pages 13 and 14 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

November 18, 2002

Legier & Materne, cpac

CONTEMPORARY ARTS CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

	Unrestricted Fund	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 59,959	\$ 111,490	\$ 275,983	\$ 447,432
Pledges and grants receivable	18,305	261,507	-	279,812
Due from other funds	-	125,000	109,571	234,571
Prepaid expenses	22,500	-	-	22,500
Total current assets	100,764	497,997	385,554	984,315
Fixed assets, net of depreciation	40,093	-	9,100,800	9,140,893
Art collection	144,326	-	-	144,326
Investments	-	-	89,047	89,047
Long-term receivables	-	510,000	-	510,000
Other assets	36,998	-	-	36,998
Total assets	<u>\$ 322,181</u>	<u>\$ 1,007,997</u>	<u>\$ 9,575,401</u>	<u>\$ 10,905,579</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 203,159	\$ 7,500	\$ -	\$ 210,659
Notes payable, current portion	9,967	100,000	-	109,967
Line of credit	100,000	-	-	100,000
Due to other funds	234,571	-	-	234,571
Total current liabilities	547,697	107,500	-	655,197
Notes payable, less current portion	85,260	500,495	-	585,755
NET ASSETS				
Permanently restricted	-	-	9,575,401	9,575,401
Temporarily restricted	-	400,002	-	400,002
Unrestricted	(310,776)	-	-	(310,776)
Total net assets	(310,776)	400,002	9,575,401	9,664,627
Total liabilities and net assets	<u>\$ 322,181</u>	<u>\$ 1,007,997</u>	<u>\$ 9,575,401</u>	<u>\$ 10,905,579</u>

The accompanying notes are integral part of these financial statements.

CONTEMPORARY ARTS CENTER
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2001

	Unrestricted Fund	Temporarily Restricted	Permanently Restricted	Total
<u>ASSETS</u>				
CURRENT ASSETS				
Cash and cash equivalents	\$ 25,057	\$ 221,556	\$ 187,353	\$ 433,966
Pledges and grants receivable	70,063	105,000	-	175,063
Due from other funds	-	-	180,352	180,352
Prepaid expenses	13,491	-	-	13,491
Total current assets	108,611	326,556	367,705	802,872
Fixed assets, net of depreciation	59,008	-	8,857,333	8,916,341
Art collection	144,326	-	-	144,326
Investments	654	-	99,617	100,271
Long-term receivables	-	2,124	-	2,124
Other assets	31,565	-	-	31,565
Total assets	<u>\$ 344,164</u>	<u>\$ 328,680</u>	<u>\$ 9,324,655</u>	<u>\$ 9,997,499</u>
<u>LIABILITIES AND NET ASSETS</u>				
CURRENT LIABILITIES				
Accounts payable and accrued expenses	\$ 196,200	\$ -	\$ -	\$ 196,200
Notes payable, current portion	46,296	-	-	46,296
Line of credit	100,000	-	-	100,000
Due to other funds	180,352	-	-	180,352
Total current liabilities	522,848	-	-	522,848
Notes payable, less current portion	94,666	-	-	94,666
NET ASSETS				
Permanently restricted	-	-	9,324,655	9,324,655
Temporarily restricted	-	328,680	-	328,680
Unrestricted	(273,350)	-	-	(273,350)
Total net assets	(273,350)	328,680	9,324,655	9,379,985
Total liabilities and net assets	<u>\$ 344,164</u>	<u>\$ 328,680</u>	<u>\$ 9,324,655</u>	<u>\$ 9,997,499</u>

The accompanying notes are integral part of these financial statements.

CONTEMPORARY ARTS CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2002

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 595,290	\$ 1,105,945	\$ 53,833	\$ 1,755,068
Contributions in-kind	1,857	-	-	1,857
Restricted and program services grants	109,584	491,317	53,833	654,734
Membership dues	177,523	-	-	177,523
Admissions, workshop fees, meetings and conferences	313,428	18,000	-	331,428
Special fund-raising events, admissions	84,847	-	-	84,847
Sales of art, catalogs and subscriptions	86,611	30,000	-	116,611
Beverage, food, hospitality services	420,707	132,093	-	552,800
Investment income	6,840	13	5,474	12,327
Other	16,642	-	184	16,826
Total support and revenue before net assets released from restrictions	1,813,329	1,777,368	113,324	3,704,021
Net assets released from restrictions	1,782,051	(1,706,046)	(76,005)	-
Net assets reclassified to permanently restricted net assets	(447,300)	-	447,300	-
Total support and revenue	3,148,080	71,322	484,619	3,704,021
EXPENSES				
Salaries	926,949	-	-	926,949
Payroll taxes	77,635	-	-	77,635
Employee benefits	35,402	-	-	35,402
Value of in-kind contributions	1,857	-	-	1,857
Artist fees	210,480	-	-	210,480
Advertising	50,812	-	-	50,812
Telephone and utilities	84,078	-	-	84,078
Supplies, maintenance and equipment	966,097	-	-	966,097
Professional, technical, contract services	198,796	-	-	198,796
Beverage, food, hospitality	155,325	-	-	155,325
Equipment rental	85,748	-	-	85,748
Printing, publications, films, etc.	84,379	-	-	84,379
Security and insurance	95,042	-	-	95,042
Cost of goods sold	11,962	-	-	11,962
Postage and shipping	47,492	-	-	47,492
Meetings, conferences and travel	31,890	-	-	31,890
Entertainment	19,152	-	-	19,152
Interest expense	30,052	-	-	30,052
Bad debt expense	12,521	-	-	12,521
Program and royalty fees	3,924	-	-	3,924
Other	36,837	-	1,495	38,332
Total expenses before depreciation	3,166,430	-	1,495	3,167,925
Excess (deficiency) of support & revenue over (under) expenses before depreciation	(18,350)	71,322	483,124	536,096
Depreciation expense	18,915	-	203,833	222,748
Change in net assets	(37,265)	71,322	279,291	313,348
NET ASSETS, beginning of period	(273,350)	328,680	9,324,655	9,379,985
Unrealized loss on investments	(161)	-	(28,545)	(28,706)
NET ASSETS, end of period	<u>\$ (310,776)</u>	<u>\$ 400,002</u>	<u>\$ 9,575,401</u>	<u>\$ 9,664,627</u>

The accompanying notes are integral part of these financial statements.

CONTEMPORARY ARTS CENTER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2001

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 638,604	\$ 138,472	\$ 58,134	\$ 835,210
Contributions in-kind	95,325	-	-	95,325
Restricted and program services grants	81,240	-	22,500	103,740
Membership dues	207,458	-	-	207,458
Admissions, workshop fees, meetings and conferences	337,449	13,036	-	350,485
Special fund-raising events, admissions	294,626	-	-	294,626
Sales of art, catalogs and subscriptions	110,832	-	-	110,832
Beverage, food, hospitality services	401,936	-	-	401,936
Investment income	8,115	-	9,027	17,142
Other	41,788	1,000	-	42,788
Total support and revenue before net assets released from restrictions	2,217,373	152,508	89,661	2,459,542
Net assets released from restrictions	382,478	(377,237)	(5,241)	-
Total support and revenue	2,599,851	(224,729)	84,420	2,459,542
EXPENSES				
Salaries	1,024,244	-	-	1,024,244
Payroll taxes	82,620	-	-	82,620
Employee benefits	38,971	-	-	38,971
Value of in-kind contributions	95,325	-	-	95,325
Artist fees	185,591	-	-	185,591
Advertising	30,602	-	-	30,602
Telephone and utilities	112,176	-	-	112,176
Supplies, maintenance and equipment	182,856	-	-	182,856
Professional, technical, contract services	196,532	-	-	196,532
Beverage, food, hospitality	132,225	-	-	132,225
Equipment rental	114,051	-	-	114,051
Printing, publications, films, etc.	106,018	-	-	106,018
Security and insurance	86,037	-	-	86,037
Cost of goods sold	15,190	-	-	15,190
Postage and shipping	67,993	-	-	67,993
Meetings, conferences and travel	75,498	-	-	75,498
Entertainment	57,375	-	-	57,375
Interest expense	24,519	-	-	24,519
Bad debt expense	1,348	-	-	1,348
Program and royalty fees	15,150	-	-	15,150
Other	37,102	12	1,286	38,400
Total expenses before depreciation	2,681,423	12	1,286	2,682,721
Excess (deficiency) of support & revenue over (under) expenses before depreciation	(81,572)	(224,741)	83,134	(223,179)
Depreciation expense	17,997	-	203,833	221,830
Change in net assets	(99,569)	(224,741)	(120,699)	(445,009)
NET ASSETS, beginning of period	(174,043)	553,421	9,453,873	9,833,251
Unrealized gain (loss) on investments	262	-	(8,519)	(8,257)
NET ASSETS, end of period	<u>\$ (273,350)</u>	<u>\$ 328,680</u>	<u>\$ 9,324,655</u>	<u>\$ 9,379,985</u>

The accompanying notes are integral part of these financial statements.

**CONTEMPORARY ARTS CENTER
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**

	2002	2001
CASH FLOWS FROM OPERATING AND CAPITAL FUND-RAISING ACTIVITIES		
Change in net assets	\$ 313,348	\$ (445,009)
Charges to operations not using cash:		
Depreciation expense	222,748	221,830
Adjustments to reconcile net change in net assets to net cash provided by (used in) operating activities:		
Pledges and grants receivable	(104,749)	59,706
Long-term receivables	(507,876)	130,876
Prepaid expenses	(9,009)	(4,785)
Other assets	(5,433)	(3,094)
Accounts payable and accrued expenses	14,459	45,729
Net cash provided by (used in) operating activities	<u>(76,512)</u>	<u>5,253</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets	(447,300)	(49,955)
Purchase of artwork	-	(47,500)
(Increase) decrease in endowment fund and other investments	(17,482)	1,038
Net cash used in investing activities	<u>(464,782)</u>	<u>(96,417)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on notes payable	(45,735)	(411,805)
Proceeds from issuance of notes payable	600,495	450,000
Net proceeds from line of credit	-	100,000
Net cash provided by financing activities	<u>554,760</u>	<u>138,195</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,466	47,031
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>433,966</u>	<u>386,935</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>\$ 447,432</u></u>	<u><u>\$ 433,966</u></u>

The accompanying notes are integral part of these financial statements.

**CONTEMPORARY ARTS CENTER
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Contemporary Arts Center (the “Center”) is a multi-disciplinary organization dedicated to presenting the works of local, regional, national and international artists. The Center offers a year round calendar of exhibitions, performances and educational programs designed to engage diverse public audiences of all ages, while providing technical and development support for local artists.

The following program and supporting services are included in the accompanying financial statements:

Visual Arts – A year round calendar of curated visual art exhibits by local, national and international artists.

Performing Arts – A year round calendar of theatrical and musical presentations by local, national, and international artists. Community theater support program provides low cost presentation space and technical assistance to local performing artists/organizations.

Education – School field trips, a summer camp, adult lectures and presentations.

Community Outreach – Building relationships with community-based organizations to increase audience diversity and bring arts programming to the many communities of New Orleans.

Basis of Presentation

The financial statements of the Center have been prepared on the accrual basis of accounting.

Fund Accounting

The Center provides for funds according to three classes of net assets – permanently restricted, temporarily restricted and unrestricted to comply with limitations and restrictions placed on the use of resources by the donor.

Cash and Cash Equivalents

The Center places its cash and cash equivalents with high credit quality institutions in the Greater New Orleans area. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. Amounts on deposit in excess of insured limits were approximately \$11,000 and \$103,000 at June 30, 2002 and 2001, respectively.

**CONTEMPORARY ARTS CENTER
FOR THE YEARS ENDED JUNE 30, 2002 and 2001
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fixed Assets

Fixed assets are stated at acquisition cost or, in the case of gifts, fair value at the date of donation. Major additions are capitalized; maintenance and repairs that do not improve or extend the life of the respective asset are charged to expense. Depreciation is computed using the straight-line method over the assets' estimated useful lives of 5 years for equipment and 30 years for the building. Building improvements are depreciated over the lesser of 30 years or the remaining life of the building.

Art Collection

The Center commissioned several works of art that are housed in the building at 900 Camp Street and are carried in the accompanying financial statements at cost. The Center does not record depreciation on the art collection as depreciation is not required to be recognized under accounting principles generally accepted in the United States of America on individual works of art or historical treasures whose economic benefit or service potential is used up so slowly that their estimated useful lives are extraordinarily long.

Net Assets

Permanently restricted net assets are amounts set aside due to the endowment fund. Temporarily restricted net assets are restricted for use until the donor imposed restrictive event takes place and primarily consist of pledges receivable related to the capital campaign, summer camp and composer-in-residence programs. In 2002, \$447,300 of building improvements were made to the permanently restricted building resulting in an increase in permanently restricted net assets.

Gifts, Grants and Pledges

Gifts, grants and pledges are recorded in the three classes of net assets in accordance with the restriction of the donors. Non-cash gifts and grants are recorded as revenue at fair market value at the date contributed, if an objective valuation is determinable. Pledged contributions are recorded as receivables when a firm pledge is made and collectibility is reasonably determinable. If a pledge is to be received over a period of more than a year, the respective non-current amount is recorded as a non-current receivable.

Donated Materials and Services

Certain donated materials and services are reflected as contributions in the accompanying statements at their estimated fair values at the date of receipt. In addition, a substantial number of unpaid volunteers have donated significant amounts of their time to the development of the Center's program services and in its fund-raising campaigns; these services have not been recorded as contributions since there is no objective basis to measure their value.

**CONTEMPORARY ARTS CENTER
FOR THE YEARS ENDED JUNE 30, 2002 and 2001
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments

Investments are carried at fair market value in the accompanying Statements of Financial Position. Changes in unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities.

Gains and losses from the sale or other disposition of investments and other non-cash assets are accounted for in the classification that reported the assets. Ordinary income from investments is accounted for in the classification reporting the assets.

Interfund Receivables and Payables

Use of unrestricted or restricted funds for building or operating purposes is accounted for through due to and due from accounts in the respective funds, as repayment is expected.

Income Taxes

The Center is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and, accordingly, no provision for income taxes has been reflected in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**CONTEMPORARY ARTS CENTER
FOR THE YEARS ENDED JUNE 30, 2002 and 2001
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 – FIXED ASSETS

Fixed assets as of June 30, 2002 consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Land	\$ -	\$ 3,150,000	\$ 3,150,000
Building and improvements	-	6,562,300	6,562,300
Equipment	<u>270,671</u>	<u>-</u>	<u>270,671</u>
	270,671	9,712,300	9,982,971
Less accumulated depreciation	<u>230,578</u>	<u>611,500</u>	<u>842,078</u>
	<u>\$ 40,093</u>	<u>\$ 9,100,800</u>	<u>\$ 9,140,893</u>

Fixed assets as of June 30, 2001 consisted of the following:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Land	\$ -	\$ 3,150,000	\$ 3,150,000
Building and improvements	-	6,115,000	6,115,000
Equipment	<u>270,671</u>	<u>-</u>	<u>270,671</u>
	270,671	9,265,000	9,535,671
Less accumulated depreciation	<u>211,663</u>	<u>407,667</u>	<u>619,330</u>
	<u>\$ 59,008</u>	<u>\$ 8,857,333</u>	<u>\$ 8,916,341</u>

NOTE 3 – LINE OF CREDIT AND NOTES PAYABLE

The Company had amounts outstanding of \$100,000 under a line of credit at June 30, 2002. These amounts consisted of advances under a \$100,000 line of credit agreement with a bank maturing December 4, 2002. The line of credit bears interest at 4.75% per annum and is collateralized by a \$325,000 real estate mortgage note on land dated September 13, 2000.

Notes payable consisted of the following at June 30:

	<u>2002</u>	<u>2001</u>
Note payable to a bank dated December 4, 1998, bearing interest at 8.25%, payable on June 16, 2004, unsecured	\$ 13,767	\$ 19,767
Note payable to a bank dated September 13, 2000, payable in monthly installments of principal and interest (4.75% at June 30, 2002) of \$1,153.36 through January 1, 2008, collateralized by the real estate mortgage described above	81,460	121,195
Note payable to a bank dated February 4, 2002, bearing interest at 4.75%, payable in annual installments of \$100,000 through February 4, 2008, secured by a personal guarantee of a member of the Center's Board of Directors	<u>600,495</u>	<u>-</u>
Total notes payable	695,722	140,962
Less: Current portion	<u>(109,967)</u>	<u>(46,296)</u>
Total long-term notes payable	<u>\$ 585,755</u>	<u>\$ 94,666</u>

**CONTEMPORARY ARTS CENTER
FOR THE YEARS ENDED JUNE 30, 2002 and 2001
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 – LINE OF CREDIT AND NOTES PAYABLE (cont'd)

The aggregate maturities of long-term debt are as follows for the subsequent five years ending June 30:

2003	\$ 109,967
2004	125,146
2005	111,938
2006	112,515
2007	113,122

NOTE 4 – RELATED-PARTY TRANSACTIONS

A company controlled by a member of the Center's Board of Directors leased a portion of the building at 900 Camp Street to the Center pursuant to a lease, which initially expired in December 1992. On December 2, 1994, the lease was amended such that no rent was due from the Center. The lessor made a pledge to donate the building and land to the Center on July 1, 1999. Therefore, the Center recorded the donation of the building as of June 30, 1999 based on the \$9,000,000 valuation specified in the act of donation. In addition, the act of donation stated that each of the terms, conditions, restrictions and covenants therein were to remain in effect for a period of 20 years from the effective date of the donation of the property.

Related entities, also controlled by the same Board member, contributed approximately \$205,000 and \$165,000 to the Center during fiscal years 2002 and 2001, respectively.

Other members of the Center's Board of Directors and parties related to them made contributions of approximately \$54,000 and \$194,000 during fiscal years 2002 and 2001, respectively.

NOTE 5 – CONDITIONAL PROMISE TO GIVE

On March 17, 2000, the Center received a grant in the amount of \$300,000 from the Ella West Freeman Foundation for the Capital Campaign. However, this grant is contingent upon the Center receiving grants or firm pledges in the amount of \$15,000,000 for this capital campaign by February 1, 2003 and as of June 30, 2002 has not been recognized in the accompanying financial statements. Should the Center not comply with these requirements, the commitment will be cancelled in its entirety.

NOTE 6 – COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Center is involved in certain threatened or pending legal proceedings. While the ultimate resolution of these matters cannot be predicted with certainty, in the opinion of management and based on the advice of legal counsel, these actions will be resolved with no material adverse affect on the financial position, results of operations or cash flows of the Center.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
of the Contemporary Arts Center

We have audited the financial statements of the Contemporary Arts Center (the "Center" – a Louisiana not-for-profit corporation) as of and for the year ended June 30, 2002, and have issued our report thereon dated November 18, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance, which we have reported to management of the Center in a separate letter dated November 18, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, board members, others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Legier + Materne, apac

November 18, 2002

Energy Centre • 1100 Poydras St. • 34th Floor • New Orleans, LA 70163 • Telephone 504 561-0020 • Fax 504 561-0023

Member American Institute of Certified Public Accountants

• Private Companies Practice Section • Management Consulting Services Section • Personal Financial Planning Section

SUPPLEMENTAL SCHEDULE

CONTEMPORARY ARTS CENTER
SUPPLEMENTAL SCHEDULE OF DEPARTMENTAL ACTIVITY
YEAR ENDED JUNE 30, 2002

	Program Services			
	Sponsored Projects	Performance	Education	Visual Arts
SUPPORT AND REVENUE				
Contributions	\$ -	\$ 53,166	\$ 11,916	\$ 101,988
Contributions in-kind	150	-	-	1,707
Restricted and program services grants	3,684	31,663	10,000	-
Membership dues	-	-	-	-
Admissions, workshop fees, meetings and conferences	-	61,402	29,876	19,022
Special fund-raising events, admissions	-	-	-	8,310
Sales of art, catalogs and subscriptions	-	-	295	79,680
Beverage, food, hospitality services	-	-	-	-
Investment income	-	-	-	-
Other	-	(3,121)	-	644
Net assets released from restrictions	-	71,790	30,396	77,990
Net assets reclassified to permanently restricted net assets	-	-	-	-
Total support and revenue	3,834	214,900	82,483	289,341
EXPENSES				
Salaries	-	49,517	53,003	154,045
Payroll taxes	-	3,978	4,609	13,199
Employee benefits	-	2,326	544	7,579
Value of in-kind contributions	150	-	-	1,707
Artist fees	2,847	161,001	1,745	9,150
Advertising	-	11,307	-	4,991
Telephone and utilities	-	46	426	-
Supplies, maintenance and equipment	-	3,235	2,923	12,255
Professional, technical, contract services	-	7,524	88	1,603
Printing, publications, films, etc.	-	69	768	39,841
Security and insurance	-	1,839	221	9,737
Cost of goods sold	-	-	-	6,673
Postage and shipping	-	238	167	34,746
Beverage, food, hospitality	-	145	4	1,145
Meetings, conferences and travel	-	10,498	3,788	7,981
Interest expense	-	-	-	-
Bad debts expense	-	-	-	-
Program and royalty fees	-	2,774	-	1,000
Depreciation	-	-	-	-
Other	-	7,116	981	6,536
Total expenses	2,997	261,613	69,267	312,188
EXCESS (DEFICIENCY) OF SUPPORT AND REVENUE OVER (UNDER) EXPENSES	\$ 837	\$ (46,713)	\$ 13,216	\$ (22,847)

CONTEMPORARY ARTS CENTER
SUPPLEMENTAL SCHEDULE OF DEPARTMENTAL ACTIVITY
YEAR ENDED JUNE 30, 2002

Supporting Services									
Fund Raising	Marketing	Cybercafe	Rentals/ Hospitality	Management and General	Capital Campaign	Unrestricted Totals	Temporarily Restricted	Permanently Restricted	Total
\$ 421,470	\$ -	\$ -	\$ -	\$ 5,000	\$ 1,750	\$ 595,290	\$ 1,105,945	\$ 53,833	\$ 1,755,068
-	-	-	-	-	-	1,857	-	-	1,857
48,427	-	30	-	-	15,780	109,584	491,317	53,833	654,734
177,523	-	-	-	-	-	177,523	-	-	177,523
590	-	305	202,233	-	-	313,428	18,000	-	331,428
76,537	-	-	-	-	-	84,847	-	-	84,847
5,861	150	625	-	-	-	86,611	30,000	-	116,611
56,209	-	38,230	326,268	-	-	420,707	132,093	-	552,800
-	-	-	5,381	1,459	-	6,840	13	5,474	12,327
8,419	965	2,671	5,550	1,514	-	16,642	-	184	16,826
92,074	-	-	35,357	43,550	1,430,894	1,782,051	(1,706,046)	(76,005)	-
-	-	-	-	-	(447,300)	(447,300)	-	447,300	-
887,110	1,115	41,861	574,789	51,523	1,001,124	3,148,080	71,322	484,619	3,704,021
123,264	78,451	29,225	109,365	266,784	63,295	926,949	-	-	926,949
10,059	6,468	2,800	9,029	22,492	5,001	77,635	-	-	77,635
4,511	4,486	159	595	14,979	223	35,402	-	-	35,402
-	-	-	-	-	-	1,857	-	-	1,857
34,336	-	321	1,080	-	-	210,480	-	-	210,480
8,570	22,381	350	2,736	(101)	578	50,812	-	-	50,812
21	-	434	455	82,696	-	84,078	-	-	84,078
7,123	309	18,049	9,941	73,970	838,292	966,097	-	-	966,097
12,094	3,185	-	37,788	58,092	78,422	198,796	-	-	198,796
27,022	6,131	-	1,411	9,083	54	84,379	-	-	84,379
7,784	227	1,947	11,491	54,977	6,819	95,042	-	-	95,042
2,600	2,520	-	110	59	-	11,962	-	-	11,962
4,654	1,108	8	181	6,247	143	47,492	-	-	47,492
43,764	10	12,973	95,417	1,583	284	155,325	-	-	155,325
6,832	39	5	533	2,049	165	31,890	-	-	31,890
-	-	111	2	18,054	11,885	30,052	-	-	30,052
-	-	-	-	12,521	-	12,521	-	-	12,521
150	-	-	-	-	-	3,924	-	-	3,924
-	-	-	-	18,915	-	18,915	-	203,833	222,748
37,304	261	1,756	64,955	22,368	460	141,737	-	1,495	143,232
330,088	125,576	68,138	345,089	664,768	1,005,621	3,185,345	-	205,328	3,390,673
\$ 557,022	\$ (124,461)	\$ (26,277)	\$ 229,700	\$ (613,245)	\$ (4,497)	\$ (37,265)	\$ 71,322	\$ 279,291	\$ 313,348



To the Board of Directors of
Contemporary Arts Center

In planning and performing our audit of the financial statements of Contemporary Arts Center ("the Center") for the year ended June 30, 2002, we considered the Center's internal control to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Center's internal control in our report dated November 18, 2002. This letter does not affect our report dated November 18, 2002, on the financial statements of Contemporary Arts Center.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Center personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Observation 02-1

Board of Directors Meetings

While reviewing the minutes from the Board of Directors' meetings, we noted that the minutes of the prior Board meeting were not consistently documented as being approved.

Management's Response

The Board president will be notified and the meeting notes will more carefully checked for the inclusion of the passing of the notes.

Observation 02-2

Interfund Balances

While performing our procedures on the interfund balances, we noted that balances increased by \$125,000 from prior year. Per discussion with management, these monies were borrowed against a future operating pledge. Due to the restrictions placed on these